

(WED) NOV 4 2009 16:13/ST. 16:09/No. 6870027501 P. 31  
210 838 2155 # 2 27



May 2, 2008

Candace Cole  
17319 Doublehorn  
Helotes, TX 78023

*Candace,*

Enclosed is the paperwork based on your Issue Submission # 60722. Please complete page 2 and return it to my attention. Keep one copy for your records.

We will be commercially releasing the product in June.

We had positive feedback for this product at the recent AORN convention. I will keep you informed as we move closer to our June release.

Kind regards,

A handwritten signature in black ink, appearing to read "Brian Mach", is written over a horizontal line.

*Brian Mach*

Vice President, Business Development

BM:rm

Cc: Charlotte Bever, Lily Yusin



Safety means NEVER having to say you're sorry.™



# AGREEMENT (Submission of Product Idea or Design)

The undersigned Health Care Provider ("HCP") submitted to Sandel Medical Industries LLC ("SMI") certain confidential information consisting of a product idea/ issue (the "Idea") or product design (the "Design") that HCP believes would be of use in promoting health care safety or enhance health care professional productivity. The Idea or Design is more specifically defined as LargeTimeOut, reference # 60722. HCP is the first health care professional to submit the Idea or Design to SMI and, therefore, SMI desires to compensate HCP for submission of the Idea or Design and to obtain from HCP the exclusive, perpetual ownership rights in and to the Idea or Design, including the right to develop the initial product that implements the Idea or Design and incorporates the HCP Rights (as defined below)(the "Initial Product") and any subsequent improvements in the Initial Product and any derivative products ("Related Products").

1. HCP hereby assigns, transfers and conveys to SMI, to the fullest extent permitted by law, all rights, titles and interests of HCP in and to the Idea or Design of the Initial Product and any Related Products.
2. SMI will pay HCP upon execution of this Agreement, the amount of \$250.
3. When and if SMI develops the Initial Product, SMI will pay to HCP the additional amount of \$500 after receipt of our first order for the product; and upon execution of an assignment to SMI. This order must be a sale to hospitals or other health care providers, not including sample orders.
4. When and if SMI markets a product or service resulting from the Confidential information, then:

➤ (a) Idea Submission Fee-SMI further agrees that, if and when SMI releases the Initial Product commercially for sale to hospitals or other health care providers, SMI shall pay to HCP an Idea Submission Fee, payable following the end of each such calendar year (in January for the preceding year), that will be determined by and in the absolute discretion of SMI and will be up to \$4,000 per year, for each of the first five years in which the Initial Product is offered for sale by SMI. No additional payments will be made following the expiration of the fifth year of commercial exploitation of the Initial Product by SMI, nor shall HCP be entitled to any additional amounts with respect to any Related Products.

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# AGREEMENT (Submission of Product Idea or Design)

b) Royalty Fee-If SMI applies for a patent based on the Design (the "HCP Patent Rights") and releases an Initial Product for sale to hospitals or other health care providers incorporating the HCP Patent Rights, SMI shall pay to HCP a royalty (the "Royalty") 60 days after the end of each quarter based upon net sales of the Initial Product by SMI during the life of the HCP Patent Rights. The net sales of the Initial Product shall mean the gross revenues derived by SMI from the sale of the Initial Product, less rebates, discounts, freight and commissions. The Royalty shall be in the range of not less than 2% and not more than 4% of net sales of the Initial Product. See attached for Payout Schedule. The HCP Patent Rights shall not include any patent that SMI may obtain with respect to any contributions made by SMI in addition to or separate from the Design itself for which SMI may seek or obtain a patent. HCP and SMI shall enter into a license and royalty agreement pursuant to which HCP shall grant to SMI an exclusive worldwide license to exploit the HCP Patent Rights, and SMI shall agree to pay to HCP the Royalty.

5. HCP understands and agrees that the decision of whether to develop an Initial Product or any Related Products, whether to apply for or obtain any patent, including without limitation, any Patent Rights and/or the decision of whether to bring any Initial Product or Related Products to market are discretionary in SMI and may be pursued or abandoned in the sole and exclusive discretion of SMI.
6. HCP agrees to execute and deliver any and all such additional documents, instruments and agreements as SMI may reasonably require to more fully evidence or effect the transfer contemplated hereby.

HEALTH CARE PROVIDER

SANDEL MEDICAL INDUSTRIES LLC

Name

Name

Signature

Signature

Date

Date

Address

Phone

E-mail

Social Security



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### SANDEL MEDICAL INDUSTRIES PAYOUT SCHEDULE:

- (4a) Idea Submission Fee:

Product sold (Y)	Patent term	Payable
Net sales*	2% up to \$4,000	annually up to 5 years

- 4b) Royalty Fee 2%-4% (based on annual net sales)\*

Product sold (Y)	Patent term	Payable
Up to \$300,000 of net sales	4%	quarterly
\$301,000 - \$600,000 of net sales	3%	quarterly
\$601,000 and above of net sales	2%	quarterly

\*Net sales shall mean the gross revenues derived by SMI from the sale of the Initial Product, less rebates, discounts, freight and commissions.

\*\*Payable during the life of the patent.